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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
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RUEATRS/TREASURY WASHDC  
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RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUEHGV/USMISSION GENEVA 0890  
RUEHVEN/USMISSION USOSCE 2889  
RUCNDT/USMISSION USUN NEW YORK 2274  
RUEHNO/USMISSION USNATO BRUSSELS BE  
RUEHBS/USEU BRUSSELS  
RUEHLMC/MILLENNIUM CHALLENGE CORP  
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL

S E C R E T SECTION 01 OF 03 BISHKEK 000386

SIPDIS

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DEPT FOR SCA/CEN (GEHRENBECK), EEB  
DEPT PASS TO OPIC  
TREASURY FOR FINCEN  
KYIV PASS TO LANIER

E.O. 12958: DECL: 04/18/2018

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [KG](#)

SUBJECT: EMBASSY CAUTIONS AGAINST OPIC ROLE IN KYRGYZ BANK

REF: A. STATE 4147

[1](#)B. BISHKEK 194

[1](#)C. 06 BISHKEK 689

[1](#)D. 06 BISHKEK 1261

[1](#)E. BISHKEK 385

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Classified By: Amb. Marie L. Yovanovitch, Reason 1.4 (b) and (d).

[1](#)1. (C) Summary: Asia Universal Bank (AUB) is seeking \$10 million in Overseas Private Investment Corporation (OPIC) financing to expand its retail lending activities in the Kyrgyz Republic. AUB's request comes as AUB claims to be implementing anti-money laundering (AML) procedures, following its admitted previous (and possibly ongoing) problems involving support of tax evasion and other questionable activities. While AUB has garnered the support of the current Kyrgyz national bank chairman, the former national bank chairman has reportedly been pressured to "fix" AUB's problems or risk not finding any future employment in the Kyrgyz Republic. Given AUB's troubled past and limited AML track record, the Kyrgyz government and local political and business circles would see an OPIC investment as an explicit U.S. government endorsement of a questionable bank. As a result, Embassy cautions against OPIC investment in AUB at the present time. End summary.

AUB Makes its Case

[1](#)2. (SBU) Asia Universal Bank (AUB), a large Kyrgyz bank, has requested U.S. Overseas Private Investment Corporation (OPIC) funding to expand into retail credit operations (see reftel A). (Note: Embassy has seen conflicting information about AUB's ownership, but there seems to be some U.S. ownership in the bank. Plus, two former U.S. senators are on the AUB

board. End note.) Given previous concerns about AUB's reputation, AUB's Chief Executive Officer Nurdin Abdrazakov requested that he and National Bank of the Kyrgyz Republic (NBKR) Chairman Marat Alapayev jointly brief the Ambassador about AUB. (Note: The NBKR is the Kyrgyz central bank. End note.) We agreed to separate meetings.

13. (C) In our March 27 meeting, Abdrazakov and AUB advisor Stan Kisselev argued that the short-term nature of most deposits in the Kyrgyz Republic prevented the development of long-term loans to retail customers. As a result, AUB approached OPIC and the European Bank for Reconstruction and Development (EBRD) for long-term credit to aid retail lending. Abdrazakov reasoned that AUB could not utilize its relatively large asset base on deposit at foreign banks to finance its retail lending program due to the large "transactional" business its clients require. Interestingly, Abdrazakov cited the Kumtor Operating Company, which runs the largest gold mine in the Kyrgyz Republic, as one of many major requestors of AUB's "transactional" services. A Kumtor official closely involved with the company's financial operations confirmed to Embassy that the company conducts no business with AUB. (Note: An OPIC team conducted due diligence activities on site at AUB in early April. The local EBRD office forwarded the AUB request to its London headquarters for consideration. End note.)

14. (C) However, AUB has been troubled by past accusations of money laundering; and a 2006 Russian Central Bank notice resulted in the severing of correspondent bank relationships between AUB and about 40 Russian banks. Abdrazakov outlined AUB's efforts, under the supervision of its contractor Kroll, to implement anti-money laundering (AML) procedures. He acknowledged that AUB would not complete this process until May or June 2008, and conceded that "testing" requirements to

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verify compliance had not yet been formalized. This is noteworthy given that some of AUB's peer institutions allege that AUB continues to aid Russian tax evasion schemes.

Central Bank Governor Makes His Sales Pitch  
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15. (C) On March 28, NBKR Chairman Alapayev came to the Embassy to brief the Ambassador on AUB. Curiously, Alapayev feigned ignorance of the purpose of the meeting and claimed to have "no preference" for AUB. However, Alapayev then highlighted numerous changes at AUB, the advisory role of Kroll, and the presence of U.S. senators on the AUB board. He also outlined AUB's charitable activities. When asked about any problems at AUB, Alapayev paused and acknowledged AUB's previous involvement in circumventing customs procedures for "grey imports" into Russia. However, he said he knew of no current problems with AUB, and said the Kyrgyz Financial Intelligence Unit (FIU) had also identified no problems. (Note: The Kyrgyz FIU has reportedly been unable to process most of the suspicious activity reports it receives. End note.)

Recruiting Help to Clean AUB?  
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16. (S) Former NBKR chairman Ulan Sarbanov detailed to Embassy a recent meeting he had with President Bakiyev's Chief of Staff, Medet Sadyrkulov. In the meeting, Sarbanov, who has been largely marginalized since his ouster from the NBKR and the collapse of criminal proceedings against him (reftel C), highlighted his "quiet" stance during recent months and sought assistance in locating employment. The next day, Sarbanov reported, he was invited by a prominent AUB Board member to lunch. During lunch, the AUB Board member offered Sarbanov a top AUB position to "fix" the problems that Sarbanov "created" for AUB when he headed the NBKR. (See reftel D for additional background on Sarbanov's previous interaction on AUB, and the efforts by President

Bakiyev's son Maxim to have Sarbanov call off the NBKR's investigative assistance to the Russian Central Bank of AUB's alleged money laundering operations.) Sarbanov was advised to accept this offer, or risk never finding work in the Kyrgyz Republic again. Sarbanov has not accepted this offer, and remains employed as a consultant for a USAID project implementer. (Note: Sarbanov has been a credible source in the past. End note.)

Comment

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17. (C) Given the relatively recent integration of AML procedures at AUB, the Embassy repeats its caution against OPIC investment in AUB at the present time. While AUB may sincerely be attempting to adopt AML procedures, it has yet to develop a new track record that would overcome its troubled past. AUB may become a suitable future OPIC target, but is not in that position now. Any OPIC investment at this time would grant AUB not only access to a \$10 million credit line, but would also provide an explicit U.S. government seal of approval of AUB's operations. Such a step would be highly trumpeted and visible to political and business elites in the Kyrgyz Republic. Coupled with recent, troubling shifts in the Kyrgyz investment climate (to be discussed separately) and serious questions about the central bank's independence, Embassy believes that OPIC should forgo investment in AUB at the present time.

18. (SBU) This cable should be read in conjunction with reftel E, which describes aspects of the Kyrgyz banking

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sector environment.  
YOVANOVITCH